

103D CONGRESS
1ST SESSION

S. 1666

To amend the Internal Revenue Code of 1986 to allow a taxpayer to elect to deduct either State and local income taxes or State and local sales taxes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 17 (legislative day, NOVEMBER 2), 1993

Mr. GORTON (for himself, Mr. STEVENS, Mr. MACK, Mr. PRESSLER, and Mrs. HUTCHISON) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a taxpayer to elect to deduct either State and local income taxes or State and local sales taxes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ELECTION TO DEDUCT STATE AND LOCAL IN-**
4 **COME TAX OR STATE AND LOCAL SALES TAX.**

5 (a) IN GENERAL.—Section 164(a) of the Internal
6 Revenue Code of 1986 (relating to deduction for taxes)
7 is amended by adding after paragraph (5) the following
8 new paragraph:

9 “(6) At the election of the taxpayer, either—

1 “(A) State and local income taxes, or

2 “(B) State and local general sales taxes.”.

3 (b) GENERAL SALES TAXES.—Section 164(b) of such
4 Code (relating to definitions and special rules) is amended
5 by adding at the end the following new paragraph:

6 “(5) GENERAL SALES TAXES.—

7 “(A) IN GENERAL.—The term ‘general
8 sales tax’ means a tax imposed at one rate in
9 respect of the sale at retail of a broad range of
10 classes of items.

11 “(B) SPECIAL RULES FOR FOOD, ETC.—In
12 the case of items of food, clothing, medical sup-
13 plies, and motor vehicles—

14 “(i) the fact that the tax does not
15 apply in respect of some or all of such
16 items shall not be taken into account in
17 determining whether the tax applies in re-
18 spect of a broad range of classes of items,
19 and

20 “(ii) the fact that the rate of tax ap-
21 plicable in respect of some or all of such
22 items is lower than the general rate of tax
23 shall not be taken into account in deter-
24 mining whether the tax is imposed at one
25 rate.

1 “(C) ITEMS TAXED AT DIFFERENT
2 RATES.—Except in the case of a lower rate of
3 tax applicable in respect of an item described in
4 subparagraph (B), no deduction shall be al-
5 lowed under this section for any general sales
6 tax imposed in respect of an item at a rate
7 other than the general rate of tax.

8 “(D) COMPENSATING USE TAXES.—A com-
9 pensating use tax in respect of an item shall be
10 treated as a general sales tax. For purposes of
11 the preceding sentence, the term ‘compensating
12 use tax’ means, in respect of any item, a tax
13 which—

14 “(i) is imposed on the use, storage, or
15 consumption of such item, and

16 “(ii) is complementary to a general
17 sales tax, but only if a deduction is allow-
18 able under subsection (a)(6) in respect of
19 items sold at retail in the taxing jurisdic-
20 tion which are similar to such item.

21 “(E) SPECIAL RULE FOR MOTOR VEHI-
22 CLES.—In the case of motor vehicles, if the rate
23 of tax exceeds the general rate, such excess
24 shall be disregarded and the general rate shall
25 be treated as the rate of tax.

1 “(F) SEPARATELY STATED GENERAL
2 SALES TAXES.—If the amount of any general
3 sales tax is separately stated, then, to the ex-
4 tent that the amount so stated is paid by the
5 consumer (otherwise than in connection with
6 the consumer’s trade or business) to his seller,
7 such amount shall be treated as a tax imposed
8 on, and paid by, such consumer.”.

9 (c) CONFORMING AMENDMENT.—Paragraph (3) of
10 section 164(a) of such Code is amended by striking out
11 “State and local, and foreign,” and inserting in lieu there-
12 of “Foreign”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 1992.

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